

EXCEPTION



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BEFORE THE ARIZONA CORPORATION COMMISSION

1999 SEP 14 P 1:17

CARL J. DUNASEK
Commissioner - Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

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Arizona Corporation Commission

DOCKETED

IN THE MATTER OF COMPETITION IN)
THE PROVISION OF ELECTRIC)
SERVICES THROUGHOUT THE)
STATE OF ARIZONA.)

SEP 14 1999

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DOCKETED BY

ARIZONA CONSUMERS COUNCIL'S EXCEPTIONS TO THE PROPOSED ORDER ADOPTING AMMENDMENTS TO THE ELECTRIC COMPETITION RULES

On August 26, 1999, the Arizona Corporation Commission's (Commission") Hearing Division issued a Proposed Order adopting amendments to the Retail Electric Competition Rules, R14-2-1601, *et seq.* ("Rules"). The Arizona Consumers Council ("Council"), through the undersigned, hereby submits the following Exceptions to the Proposed Order. These Exceptions incorporate all issues not addressed or accepted by the Hearing Officer although not specifically addressed in the foregoing Exceptions.

GENERAL COMMENTS

The Council cannot support the proposed rules as amended as they place residential, small business, rural and other vulnerable consumers at risk with offering them sufficient protections or ability to acquire the so-called benefits of competition in this market. They will be saddled with paying 100% of what is determined to be their share of stranded costs, plus perhaps the additional burden of paying the stranded costs of other ratepayers who will get reductions in stranded cost payments for going into the competitive market. Residential and other small consumers of electricity, under the present rules, may not have the opportunity to even enter the market as there is an indication that there will be no Energy Service Provider ("ESP") willing to serve this segment of the market with the possible exception of current providers' ESP. Additionally, until the onset of 100% competition being open, only a small fraction of these small consumers will even have the promise of the competitive market.

The reduction in prices promised under the Rules and other decisions by this Commission appear to be less than they should be for Standard Offer and other captive customers. The two or three percent reduction in rates appear to be far below what should be if real competition were in progress. In addition, the ability of incumbent utilities to spin off their generation assets at book, denies ratepayers of the opportunity to receive reductions in stranded costs, if these assets were sold on the open market. This process relieves the incumbent utilities from doing what is necessary to mitigate to the greatest extent possible their stranded costs.

ARTICLE 2. ELECTRIC UTILITIES

R14-2-203. Establishment of Service.

B.5. If establishment of service is required if payments are no more than 2 late payments in the previous year, why is deposits required only 2 bills are late. It should be if 3 bills are late.

R14-2-204 Minimum customer information requirements.

Rate schedules and other important information as well as deposit, etc. under 1-5 should be given to the consumer when application is made. How can the consumer make informed judgments if the ESP and the UDC does not give the consumer information needed. If a change in tariff occurs which will affect the consumers bill, why does the consumer have to 60 days to find out?

Meter reads and tests. I think this was taken care of in another section but these should read that the costs of the meter read or test should be charged to the entity requesting the read or test. The customer should not be required to pay to a service they have not requested.

R14-2-210. Billing and Collection.

All bills should contain fuel mix of the entity providing the energy. UDC's should be required to purchase environmentally friendly energy if consistent with low prices.

ARTICLE 16. RETAIL ELECTRIC COMPETITION

R14-2-1601. Definitions

36. Nuclear fuel disposal and nuclear power plant decommissioning properly belongs with Energy not with system benefits. Other types of generation should not be in this definition.

R14-2-1604. Certificates of Convenience and Necessity

All ESP's should be required to service all classes of customers. To do otherwise would leave small consumers without ESP's.

B.3. The Commission needs to conduct a rate case to determine rates and conditions. Maximum rates will not show they are fair.

R12-2-1604 Competitive Phases

B. If the 20% of 1995 demand is met in the first phase, how do residential consumers participate at increased levels if they are part of the 20%.

B.2. If ESP's do not request this information, residential consumers will be locked out of the process.

B.5. Putting electric companies in charge of the education program, is leaving the fox in the hen house. Education is not marketing.

R14-2-1606. Services Required To Be Made Available.

C.2. All this information plus fuel mix must be given to consumers when service is started.

C.3. How are rate decreases handled if in fact fuel purchases are lower than approved originally? If fuel is to be purchased on the competitive market what is the methodology to be used to lower rates?

R14-2-1607. Recovery of Stranded Cost of Affected Utilities.

Under this section captive consumers may be required to pay a higher portion of stranded costs as they will be unable to leave the captive market and will be unable to receive the benefits of planned reductions or to pay a reduced lump sum fee.

R14-2-1612. Service Quality, Consumer Protection, Safety and Billing Requirements

C. Penalties under this section must be sure and swift. If we are to deter actions which are taking place in telecommunications such actions as proposed in this section will not be a deterrence.

I. Five days may not be sufficient to find an alternate provider. No conditions are provided as to reasons an ESP may drop a customer. Who pays for the change?

K.2. Who pays for the meter test? Consumer should not pay if the consumer did not request check.

N. All bills must be unbundled as to basic elements so that comparisons can be made. They should include fuel mixes to all those consumers who wish to purchase from environmentally friendly sources.

R14-2-1615. Separation of Monopoly and Competitive Services.

The must be a firewall established within organizations which provide both competitive and regulated services so as to prevent cross subsidization and to insure a level playing field for all. Original affiliate transfer procedures should be put back into place. Transfers of generation assets must be a market to insure that customers are given the maximum value to insure the least stranded costs. In the absence of market, a bottoms up valuation should be used.

R14-2-1616, Code of Conduct

All codes of conduct must be developed consistent with Commission generated rules on both affiliate transactions and interactions with customers. These rules must be standardized so that all parties know the playing field. All entities must be treated equally and no preferential treatment to any entity must be discouraged. There is no reason why all entities cannot work under the same code. Whatever code or codes are adopted, what are the penalties for breaching the code.

R14-2-1617 Disclosure of Information

The consumer information label as provided in A and B appears adequate except that the information should be given when the initial contract is signed and updated periodically as elements change. When a customer wishes to change providers then that same information should be given by any and all entities wishing to sell to the customer.

Other

We are sorry that this is late, but I have been away and this was the first chance I have had in responding. The Council wishes to thank the Commission, Hearing Officer and Staff for the curtsies extended though this long and arduous process.

RESPECTFULLY SUBMITTED

This 13th Day of September, 1999.



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